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CENTRAL INTELLIGENCE AGENCY
Office of the Chief, Economic Research
Office of Research and Reports

Project Action Memorandum

Project No. 10,697
Date: 18 April 1955

TITLE: Defense Expenditures for Bloc Countries, 1946-55

REQUESTER: FOA

STATEMENT OF PROBLEM AND TERMS OF REFERENCE:

Problem: Data in support of FOA study on the scope of world armament expenditure.

Terms of Reference: The following data are requested on Eastern Europe (including E. Germany), USSR, China, and other Asian Communist areas:

1. Defense expenditures (in current dollars adjusted by "realistic" exchange rates) by year since World War II (1946).
2. Percentage of defense expenditure of total budget.
3. Percentage of defense expenditure of GNP.
4. Please forward an original and three copies of finished paper.

RESPONSIBILITY:

Action Division: D/A
Branches: A/D
A/E
A/F

Man-Hours

30

Due Date

19 Apr 55

Concurrence
(Initials)

AVC

Staffs:

St/PR

series,

J.C.M

25X1A9a Project Monitor: [REDACTED] 2803

This project will not delay completion of currently scheduled projects.
The classification of this project will be no higher than SECRET.

APPROVED Ch/E Ch/E

Issued as MP-119, 21 Apr 55.

DOCUMENT NO. 20
NO CHANGE IN CLASS. ☐
☒ DECLASSIFIED
CLASS. CHANGED TO: TS S.C
NEXT REVIEW DATE: 25X1A2g
AUTH: HR 702
DATE 22 SEP 50 REVIEWER [REDACTED]

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BUDGET EXPENDITURES
Communist China

	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954 (Plan)</u>
Explicit military expenditures a/ Trillions of yuan	28.3	46.6	43.7	56.8	52.7
Military expenditures under other budget categories b/ Trillions of yuan					
Transportation c/	1.7	2.0	2.1	2.1	2.1
Public Security d/ troops	4.0	4.8	5.0	5.1	5.1
	—	—	—	—	—
Total military expenditures Trillions of yuan	<u>34.0</u>	<u>53.4</u>	<u>50.8</u>	<u>64.0</u>	<u>59.9</u>
Total budget expenditures Trillions of yuan	68.1	119.0	167.8	214.9	249.5
Military expenditures as percentage of budget expenditures	50	45	30	30	24

- a. It is believed that the 1951 budget includes some military investment for armaments production other than arsenals, and so 4 trillion, or half of the estimated 1952 investment, is subtracted from the 1951 figure. The figures still include investment for arsenals, but no basis is available for further adjustments of the budget figures.
- b. Military expenditures under other categories of the budget are based on the 1952 estimated expenditures moved by an index of troops under arms given in G-2 Intelligence Review, No. 201, Feb., 1953, S. and No. 214, May, 1954, S.
- c. Transportation estimate for 1952 is based on 15 percent of passenger traffic and 10 percent of freight traffic.
- d. 1952 estimate based on pay and allowances for 1.5 million public security troops at 2.5 million yuan per soldier, plus a very rough estimate of 1.25 trillion for equipment and ammunition.

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**MILITARY EXPENDITURES AND GROSS NATIONAL PRODUCT
FOR COMMUNIST CHINA**
(in constant 1952 prices)

	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954 (Plan)</u>
Military expenditures a/ Trillions of yuan	40.5	53.4	50.8	64.0	59.9
Gross National Product Trillions of yuan	478	532	595	645	667
Military expenditures as percentage of GNP	8.5	10.0	8.5	9.9	9.0

a. An average of prices for 1951 for important commodities is roughly the same as for 1952 and the price level has not changed very much since 1952. Imported equipment and supplies from the USSR were probably made in terms of prices held constant since 1950 since they were geared to Sino-Soviet agreements. Prices of domestic output of military end-items probably changed little during the period from 1951 to 1954. Average prices for 1950 were about 84 percent of the 1952 level. For a constant price series, the 1950 expenditures therefore, are converted on the basis of the rise in prices, while the other figures are assumed already to be in constant prices.

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Authorized Budgetary Expenditures, Total and Defense and Security, European Satellite, 1948-1955, in current prices.
 (NOTE: Actual expenditure total differed from the budgeted one in some cases; actual expenditures for defense have not been reported.)

Unit	1948			1949		
	Total	Defense & Security	Percent of Total	Total	Defense & Security	Percent of Total
Albania	ML Lek	NA	NA	5,026	913	18.1
Bulgaria	ML Levas	70,500 a/	14.2	151,981 a/	11,929 a/	7.8
Czechoslovakia	ML Crowns	67,100 b/	10.9	89,300 b/	8,400 b/	9.4
East Germany c/	ML DM	NA	NA	11,985	NA	NA
Hungary	ML Forints	NA	NA	9,275	1,500	16.2
Poland d/	ML Zlotys	375,915 e/	1.6	635,340 e/	16,434 e/	2.6
Rumania	ML Lei	NA	NA	3,564	688	19.3
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	1950			1951		
	Total	Defense & Security	Percent of Total	Total	Defense & Security	Percent of Total
Albania	ML Lek	7,700	24.9	9,100	1,000	11.0
Bulgaria	ML Levas	198,018 e/	6.5	267,922 a/	20,650 a/	7.7
Czechoslovakia	ML Crowns	131,600 b/	7.3	166,200 b/	15,600 b/	9.4
East Germany	ML DM	17,633	NA	25,498	NA	NA
Hungary	ML Forints	17,454	19.6	29,516	4,100	13.9
Poland	ML Zlotys	1,283,000 e/	1.5	51,891	3,736	7.2
Rumania	ML Lei	19,258	13.6	21,708	3,430	15.8
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	1952			1953		
	Total	Defense & Security	Percent of Total	Total	Defense & Security	Percent of Total
Albania	ML Lek	10,200	10.8	11,250	1,125	10.0
Bulgaria	ML Levas	13,700	11.6	17,973	2,076	11.6
Czechoslovakia	ML Crowns	323,529 b/	6.9	430,900 b/	41,800 b/	9.7
East Germany	ML DM	31,737	NA	33,888	NA	NA
Hungary	ML Forints	42,480	13.9	51,864 f/	7,381 f/	14.2 f/
Poland	ML Zlotys	62,905	10.5	97,018	10,540	10.9
Rumania	ML Lei	30,608	16.4	37,349	6,766	18.1

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	Unit	1954			1955		
		Total	Defense & Security	Percent of Total	Total	Defense & Security	Percent of Total
Albania	Mill Levs	9,900	1,089	11.0	11,600	1,400	12.1
Bulgaria	Mill Levas	17,027	1,934	11.4	17,300	1,900	11.1
Czechoslovakia	Mill Crowns	87,573	7,784	8.9	86,000	10,400	12.1
East Germany	Mill DME	35,681	NA	NA	NA	NA	NA
Hungary	Mill Forints	47,892	5,430	11.3	45,458	5,200	12.5
Poland d/	Mill Zlotys	103,480	10,631	10.3	114,900	11,900	10.4
Rumania	Mill Lei	39,338	4,316	11.0	NA	NA	NA

- a. 1948-1951 figures in "old" levas. Currency revaluated in 1951 at approximate rate, 25 old levas = 1 new leu.
- b. 1948-1953 figures in "old crowns." Currency revaluated in 1953 at approximate rate, 5.8 old crowns = 1 new crown.
- c. Budget contains no category for "Defense" as such. All items containing military expenditures cannot be identified. They include occupation costs and security police.
- d. Poland's comparatively low percentage for defense is explained by the fact that allocations for "Public Security" are not included, as in the other Satellite reports, because they are included with expenditures for "Justice" after 1950. The public security budget includes the citizens' militia. Expenditures for the security police are included under "Defense." Before 1951 additional budgets for "Public Security" were (in million zlotys): 1948, 23,000; 1949, 36,927; 1950, 43,991.
- e. 1948-1950 figures in "old" zlotys. Current revaluated in 1950 at approximate rate of 100 old zlotys = 3 new zlotys.
- f. The 1953 budget was revised at mid-year as follows: Total 51,266 and Defense 6,333 percent of Total 12.4.